

## **Schedule K-1 Breakout Session**

### **Discussion:**

- K-1's are used to report income from Partnerships, S Corporations and Trust
- IRS began transcribing all K-1's in 2001 (TY2000)- reporting of K-1's

### **K-1 Matching Program**

- Involves issuance of notices when mismatches are identified
- Initiated matching in 2002 on Schedule K-1 forms for TY 2000
- Stopped matching program in 2002 – not getting the results the Service anticipated
- Continued matching program in 2003 on Schedule K-1 forms for TY 2001
- Practitioner feedback indicated forms not clear
- Changes being made to the form based on stakeholder feedback
- Discussed number of reminders for practitioners to use when filling out Schedule K-1 – i.e., report income in proper location, avoid netting or combining income and deductions

### **Form Revisions**

- New line 27 promoting proper reporting of prior year and passive losses and partnership expenses
- New caution advising preparers that the Service compares amounts on tax returns with times on Schedule K-1
- K-1 scheduled to be revised in 2004 – meeting will be held in a couple of week to get stakeholder feedback – form will then be sent out for comments
- Plan for revised form is to simplify it, improve the matching process, get feedback from internal and external partners
- Rollout planned in TY 2004

## **2D Barcoding**

### **Discussion**

- 14% of business returns are filed electronically
- Largest market of paper processing is Form 1065 Schedule K-1
- Why choose K-1's to be barcoded? What's in it for the software developers?  
Software developers would become market leader and increase exposure through [irs.gov](http://irs.gov)

- Currently takes 500 FTE's to process K-1s – 18.4 million on paper and 23 million total
- Draft specs have been prepared, design analysis is complete and technical requirements have gone to the contractor
- Key Benefits to the software developers to barcoding Schedule K-1 Relationship building with IRS, increased marketing opportunities by appearing on the IRS Approved Providers Page on their website and increased exposure within the practitioner and taxpayer community
- Key advantages to barcoding are: , return will be more accurate and require less resources to process
- Key messages will be sent out to the software developer, practitioner and taxpayer community via irs.gov, newsletters, press releases, stakeholder meetings, tax forums, etc.

Vision for 2009 and beyond? For 94X Family—2-D bar code and scan  
 For 1120/1065/1041—Modernized e-file  
 For 1040 Family—Look at using 2-D and scan in the out-years, only well after MeF.